



Business Logic–The Missing Link Between Strategy, Business Model and Business Process?

Ph.D. Jon Williamsson
Ph.D. Anders Sandoff
Ph.D. Gabriela Schaad

Gothenburg University, School of Business, Economics and Law.

Abstract

Like military strategists, business professionals orient themselves in the world supported by an overarching, yet by researchers unlabeled, understanding of how different organizational levels develop and interact. Researchers may understand this phenomenon by utilizing the idea of military doctrine and introducing a similar concept tentatively called *business logic*.

Introduction

During the last two decades, the business model concept has grown into a widely acknowledged analytical concept within the field of business administration (cf. Zott, Amit, & Massa, 2011). Used to holistically analyze the value creation and capture of a single business entity within a specific business context, the business model filled a conceptual gap between business strategy and business processes (Osterwalder & Pigneur, 2005). Business strategy and business model appear now to be the two main constructs that both

managers and researchers rely on when exploring the past, present and future of business. However, if we are to accept the description of the firm as the nexus of a network of stakeholder relationships (cf. Freeman, 1984) and managerial knowledge as being based on practical wisdom (Nonaka & Toyama, 2007), it appears that the vocabulary used to explore managerial decision-making on business model development and strategy lacks a concept that addresses the interrelated and contextually anchored sensemaking (Weick, Sutcliffe, & Obstfeld, 2005) that occurs among those sharing a business context.

Keywords: Business model, military doctrine, business logic.

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Dominant logic has been identified as an important factor in relation to the manager's ability to impact an organization's trajectory (Prahalad & Bettis, 1986). This insight has been introduced in both strategy and business model research, and is used to stress the importance of paying heed to managerial cognition when, for example, discussing the role of cross-industry pollination of innovative ideas about value creation (Chesbrough, 2010; Tikkanen, Lamberg, Parvinen, & Kallunki, 2005). Despite being a ubiquitous phenomenon, the implementation of the dominant logic concept seems to be centered on the organizational anchoring of the manager's sensemaking, and subsequent research has overlooked the collective learning that goes on in the relationship between stakeholders and corporate representatives (cf. Calton & Payne, 2003; Svendsen & Laberge, 2014). Firms frequently engage with trade organizations, collectively sponsor research, and work with governmental bodies to influence perceptions of their industry. Thus, there appears to be knowledge of business models and strategy that transcends the organizational and accumulates at an industry level, rather than merely within the individual organization. This type of knowledge helps managers and external stakeholders, such as policymakers, when they try to estimate the impact of business-related issues on individual organizations. It also appears that this type of knowledge is used for business model innovation in unrelated industries (cf. Enkel & Mezger, 2013). In this paper, we suggest that the phenomenon discussed above can be described as the construction of a "business logic", i.e. a general understanding of the history and trajectory of an industry, or category of similar business models (e.g. platform-based business models), on issues such as resource utilization, value creation and capture, regulation and stakeholder relationships. What follows is an explanation of what researchers would gain by introducing such a concept, as well as a suggested definition based on the relationship between key analytical units used within the field of business administration research.

Approach

This paper is the result of a comparative literature study of research on business strategy, business models and military strategy. The analogy between business and

military terminology is based on the history of conceptual association that has existed between the two domains, as well as an underlying assumption that collective sensemaking plays a major part in decision making within these domains.

Key Insights

At a glance, it becomes apparent that key vocabulary used within business administration research has a military heritage. Reviews of strategy research indicate that there has been influence from military thinking on several levels, and that this influence has taken both direct and indirect form (Mintzberg, Ahlstrand, & Lampel, 1998 p. 90 ff). Business *strategy* and business *tactics* (e.g. Casadesus-Masanell & Ricart, 2010) are examples of terminology with clear military connotations, while business *logistics* is a less apparent instance of this habitual adaptation of military thought (Rutner, Aviles, & Cox, 2012). Historical documents such as Sun Tzu's *The Art of War* or Miyamoto Musashi's *The Book of Five Rings*, regularly appear on recommended reading lists, and military sources are used as inspiration when considering concepts such as competition, stakeholder management and organizational development (Mintzberg et al., 1998).

Military activity is often conceptualized as taking place on three levels: tactical, operational, and strategic (Evans, 2003). With the introduction of the business model, the concepts of business process, business model and business strategy match, both superficially and conceptually, with the three levels. Military tactics is seen as the most basic level of planning and implementation (NATO, 2017) in much the same way as business processes are considered as the fundamental building block of value creation and capture (cf. Osterwalder & Pigneur, 2005). The operational level is "[t]he level at which campaigns and major operations are planned, conducted and sustained to accomplish strategic objectives within theatres or areas of operations." (NATO, 2017 Lexicon p. 7), which matches the idea of the business model as a blueprint of the processes, resources and logic that support the fulfilment of a business strategy. The concept of strategy is in military jargon considered as the level at which "activities, battles and engagements are planned and executed"

(NATO, 2017 Lexicon, p. 8) and is a conceptualization of the external orientation of an organization that has been adopted in business literature (cf. Mintzberg et al., 1998). However, the three military concepts function in relation to a fourth concept, termed military doctrine (Høiback, 2011). This concept has no equivalence in business research yet introducing a similar concept would support our understanding of organizations and complement the toolbox available to researchers.

The word doctrine may convey a sense of rigidity. However, research on military use of the term explains that military doctrine is set apart from the religious origin of the word by being dynamic, educational and iterative in nature, rather than static and dogmatic (Grint & Jackson, 2010; Høiback, 2011). NATO defines military doctrine as “[f]undamental principles by which the military forces guide their actions in support of objectives. It is authoritative but requires judgement in application.” (NATO, 2017 Lexicon p. 5). A review of how military doctrine evolved indicates that it early on was conceptualized as something that is a guide to action, rather than a constraint on thinking (Davies & Gustafson, 2019). Hence, instead of a set of definitions of what to do or think, military doctrine should be thought of as “an authoritative theory of war that allows for cultural idiosyncrasies” (Høiback, 2011). This definition builds on the tripart foundation of cultural maxims, acceptance of authority, and a theory of how the world functions (Høiback, 2011). Military doctrine “links theory, history, experimentation, and practice” (Grint & Jackson, 2010 p. 352) together to provide a common frame of reference for different branches of military that helps them answer four key questions:

What the service perceives itself to be (“Who are we?”); What its mission is (“What do we do?”); How the mission is to be carried out (“How do we do that?”); How the mission has been carried out in history (“How did we do that in the past?”).

(Grint & Jackson, 2010 p. 352)

By marrying together these temporally oriented aspects of decision making, military doctrine formalizes and enacts something that is action oriented, while being supportive of both organizational and individual sensemaking (cf. Weick et al., 2005). Comparing the vocabulary used in strategy research to

military conceptualization of organizational and individual action (French, 2009), especially in response to changing circumstances and the need to infuse a common motivation to act based on shared values rather than monetary rewards (Freeman, 1984 p. 90), business administration research appears to lack a concept that matches military doctrine. We argue that there could be substantial gains from introducing a concept like military doctrine. However, it is not necessary to cling to the term doctrine when developing business administration research. It could be argued that it is desirable to put some distance between an equivalent concept introduced in business administration and the original concept of military doctrine. From an ethical standpoint, moving away from the militaristic heritage would probably be preferable. Additionally, the concept of doctrine has such negative connotations that rebranding it into “business doctrine” would probably not help its use, even if the concept was idiosyncratically understood within the field of business administration. Instead, we argue that it would be preferable to insert the knowledge gained from studying the concept of military doctrine into business administration research by introducing the concept of business logic as a conceptual match.

The phrase business logic is already used in business research, but it does not appear to be nearly as popular as other terms. A search with the words “business logic” on google scholar garners 67 400 hits (search conducted 2019-02-27) which is low when compared to “business model” (724 000 hits) and “business strategy” (1 090 000 hits). Using Web of Science searching for scientific papers with the term “business logic” nets only 325 articles with most of those published in areas linked to computer science (233 hits). Only 70 articles, or 21,5 per cent, came from the fields of management and business. Looking at how the phrase is used in those 70 articles, it appears that the words business and logic are used together with no specific compound function (e.g. Hoffman, 2005). Hence, it does not appear to be an open compound word, such as business model has become. A review of the more well cited papers within the fields of management and business reveals that the word combination ‘business logic’ is linked to set phrases such as ‘service business logic’ and to the debate about how and why service is included in business operations (e.g. Grönroos & Raval, 2019).

2011; Wikström, Hellström, Artto, Kujala, & Kujala, 2009). The combination also appears in business model literature. Here the words refer to the logic behind the business and are used to explain what a business model is: “[the business model] outlines the business logic required to earn a profit” (Teece, 2010 p. 75). They also refer to how the business model should be conceptualized in relation to its use: “Business models help to capture, visualize, understand, communicate and share the business logic.” (Osterwalder & Pigneur, 2005 p.11). It appears that researchers sometimes also use business logic as a synonym for business model. Such usage lends variation to the text, but in cases where the exact definition of a concept needs clarification, the use of synonyms may create confusion. In some instances, the phrase ‘business logic’ even appears to be a catch phrase for researchers wanting to avoid the use of terms such as strategy or business model. This is understandable since those terms can have negative connotations in certain fields and carry conceptual baggage that makes them difficult to introduce in certain contexts (cf. Teece, 2010). Consequently, we draw the conclusion that the open compound ‘business logic’ is available for researchers to claim and define.

Based on our review of military doctrine, we suggest that business logic should be defined as a dominant theory of business management that incorporates the cultural peculiarities evolved out of collective sensemaking around technology, regulation and stakeholder interaction. In this definition, theory is conceptualized as the managerial conceptualization of how the world works, and culture as the managerial or corporate behavior within that world. In Figure 1, we conceptualize business logic as encompassing the three levels of

business analysis and functioning as a communicating vessel between those levels.

Conclusion

By putting together detailed information from different conceptual levels of the organization, decision-makers compile a foundation of knowledge, based on which they assess actual and potential changes to the business environment. However, current literature lacks a term that describes this type of knowledge. There is no commonly accepted analytical concept that provides a basis for discussing sensemaking around the often complex and interrelated facets of management that, from a scholarly perspective, take place on multiple, but interrelated, analytical levels. Neither is there, in the professional realm, a concept that helps managers to orient themselves in the way military doctrine is assumed to support decision-makers in the armed forces. Based on an understanding of military doctrine as the integration of theory, history, experimentation and practice, the analogously defined business logic concept may fill this gap. As we define it, business logic establishes the contours within which a manager expects business models and strategy to develop. The business logic concept thus represents a general logic for change in relation to both concepts, a function similar to that of dominant logic, yet with broader implications. In terms of direct application, we suggest that the business logic may support, or hinder, action on issues such as value creation and capture, regulation, and stakeholder relationships. Hence, the concept can be a starting point when characterizing the conditions necessary for changing an incumbent business model,

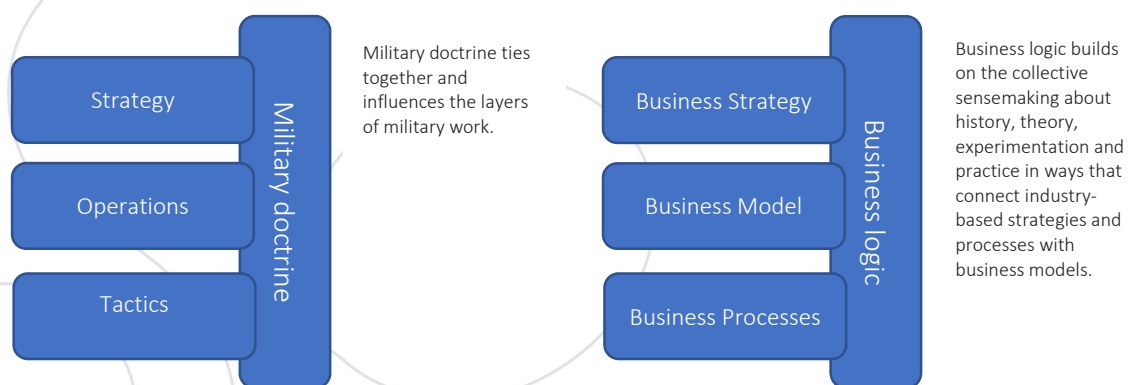


Figure 1: Comparing military doctrine and business logic

or the logic against which a new venture needs to be benchmarked when launched within an established industry. Finally, it is our conviction that the introduction of a concept that builds on the understanding of decision-making encapsulated in the military doctrine, whether it is called business logic or something else, will support researchers when studying managerial sensemaking.

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